FORM DS-323
4-23-51

OUTGOING AIRGRAM

Department of State

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AMEMBASSY,

CAIRO

A-136 October 13, 1952

In connection with Egypt's present sterling difficulties, the Secretary recently inquired as to the possibility of Egypt's selling more cotton to Japan. The text of a subsequent Departmental memorandum on the subject is set forth herewith for the Embassy's information and comment:

"During the cotton year 1951-1952 only 3 percent, or 20.0 million pounds, of Japan's total raw cotton imports came from Egypt. The probable reasons for this small volume are as follows:

"'Egyptian cotton is generally higher priced than United States cotton because of its higher quality and also export taxes levied by Egypt.

"'Egyptian cotton is, for the most part, of a long staple variety. The Japanese import requirements are largely for medium staple, standard quality cotton, however, since Japan's principal cotton textile export markets are for lower quality goods.'

"There also have been obstacles to the financing of Japan-Egypt trade. For nearly two years the Japanese have been attempting to reach a trade and financial agreement with Egypt. However, to date, no agreement has been reached. A Japanese mission is going to Cairo this month to again try to reach a trade and financial agreement with Egypt. One of the principal obstacles is an Egyptian tariff of 40 percent on cotton textile imports from Japan. The Japanese have made removal of this discriminatory tariff a condition for the agreement.

"At present what Egyptian-Japanese trade does exist is carried out under an understanding reached in 1948 between the two countries. This understanding provides for an escrow account

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CAIRO A-136

to cover trade between the two countries. However, Japanese imports of foodstuffs and of raw cotton with staple longer than 1 3/8 inches are outside the escrow account and must be paid for by Japan in dollars."

BRUCE, ACTING

Alderson Bruce Acting
(SWD)

Sent S.

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NA-Mr.McCall (cleared in substance)

NE-Mr.Ortiz

APS-Miss Wall

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OCT 13 1952 P.M.

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FORM DS-323
4-23-51

OUTGOING AIRGRAM

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Department of State

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1922

AMEMBASSY,

CAIRO

A- 141, Oct. 20, 1952

In Airgram No. 136 of October 13 the Department inadvertently neglected to state explicitly that the Secretary's inquiry with respect to possible increased Egyptian cotton sales to Japan was prompted by the fact that Japan has a favorable sterling balance.

The Embassy's Despatch No. 598 of October 3 has been noted with interest and in this connection reference is made to the Departmental memorandum of conversation of August 25 on the subject of stockpiling which was sent to the Embassy by transmittal slip.

BRUCE ACTING

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NE-Mr.Ortiz

NA-Mr.McCall

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FOREIGN SERVICE DESPATCH

FROM CAIRO

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736
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

October 21, 1952
DATE

REF : Dept's A-136 1952 OCT 29 PM 12 53.

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SUBJECT: EGYPTIAN COTTON TRADE WITH JAPAN

As requested in reference airgram, the Embassy submits the following comments:

1. While the Egyptian cotton export tax is a factor in determining its value, it is a minor one and the main reason for Egyptian cotton being higher priced than United States cotton is the former's higher quality.

2. Although as much as one-half of the Egyptian cotton crop is long staple, the balance is medium staple which meets Japanese import requirements.

3. A reliable source in the National Bank of Egypt states that the escrow account is now really inactive. As far as the Embassy has been able to determine there is no reason why Japanese imports of Egyptian products must be paid for in dollars. According to statistics of the National Bank, Egypt received $109,000 and approximately pounds sterling 2,300,000 in payment of exports to Japan during the first six months of 1952.

Perry Ellis
Perry Ellis
First Secretary of Embassy

Approved by:

Randall S. Williams
Randall S. Williams
Counselor of Embassy for Economic Affairs

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